

- 1) Define the meaning of the term *Materiality* as it is used in accounting and auditing. What is the relation between materiality, the phrase *obtain reasonable assurance* used in the auditor's report.
- 2) Explain why materiality is important but difficult to apply in practice. Give an illustration
- 3) Define and discuss the audit risk model, focusing on the components of the model.
- 4) State the three categories of factors that affect acceptable audit risk and list the factors that the auditor can use to indicate the degree to which each category exists.
- 5) Describe the three conditions that are generally present when material misstatements due to fraud occur and give one example of each condition. How does CPA respond to the risk of fraud?
- 6) Identify risks for accounting systems that rely heavily on IT functions.